

# Committee on Resources

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## Testimony

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### Subcommittee on Water and Power

Thursday, June 12, 1997

1324 Longworth HOB, 2:00 P.M.

#### Testimony of WILLIAM A. PASCOE

#### Vice President, Transmission Services

#### The Montana Power Company U.S. House of Representatives Committee on Resources Subcommittee on Water and Power

Mr. Chairman, my name is Bill Pascoe and I am employed by The Montana Power Company as Vice President, Transmission Services. I'm here today on behalf of my own company and the region's five other investor-owned electric utilities: Idaho Power Company, PacifiCorp, Portland General Electric, Puget Sound Energy and Washington Water Power. Together, our six companies provide electricity to about 60% of the residents and businesses in the Pacific Northwest.

We think the region's citizens were well served when the Governors and BPA caused the Regional Review to be conducted. We believe it's critically important to move forward promptly to implement the recommendations that resulted from the Review.

With regard to BPA's power marketing activities, we support the development of a subscription process for federal power as recommended by the Regional Review. The subscription process outlined in the Review's final report would allow BPA the best possible opportunity to recover all of its power-related costs in a very competitive marketplace, while adhering to the tenets of public and regional preference.

This subscription process also defines an appropriate role for BPA as a federal agency competing against private companies in a competitive industry. Given BPA's unique advantages access to low cost government financing and its largely tax-exempt status a more aggressive marketing posture for BPA is clearly inappropriate. That is why the Review recommended a continued ban on BPA electricity sales to retail customers and nixed BPA's proposal to become an aggressive provider of energy services in direct competition with private businesses.

Turning now to transmission, we believe a region-wide open-access transmission regime that is free from bias arising from power marketing interests is in the best interest of electricity consumers in all four Northwest states. This outcome is consistent with the existing national policy established by the Energy Policy Act of 1992 and further enunciated in FERC Orders 888 and 889.

Therefore, we strongly support the Regional Review's transmission recommendations, including:

Legal separation of BPA's transmission system from BPA's power marketing activities.

FERC regulation of BPA's transmission system equivalent to FERC regulation of investor-owned utilities' transmission systems.

Formation of a FERC-regulated regional independent grid operator that includes BPA's transmission system.

We are strongly opposed to cross-subsidization of BPA's fish and wildlife or other power-related costs through higher transmission prices charged generally to all users of BPA's transmission system.

The region's investor-owned utilities are participating actively in the Power Subscription and Transmission Work Groups. These work groups were established by the Governors' Transition Board to develop implementation plans for the Regional Review's critical recommendations. The Transmission Work Group has been specifically charged with drafting legislation to divide BPA into separate transmission and power marketing entities. This work will be completed by the Fall of this year.

Concurrently, we are continuing our efforts to establish a FERC-regulated regional independent grid operator (IndeGO). The IndeGO discussions now include 21 transmission-owning utilities in eight states, including BPA, WAPA, nine investor-owned utilities and 10 public power utilities.

Congress will play a pivotal role in determining whether the Regional Review's good work comes to fruition. We strongly urge your efforts to that end. Specifically, we ask that each of you help BPA and the region remain focused on promptly completing the necessary actions to implement the Regional Review's key recommendations for restructuring the Northwest's transmission grid legal separation of BPA's transmission and power activities, FERC-regulation of BPA's transmission system, and formation of a regional independent grid operator.

Thank you for this opportunity to testify.